

A hand-drawn circular diagram with 'STARTUP' in the center, surrounded by eight business factors: Ideas, Planning, Teamwork, Investments, Trends, Resources, Strategy, and Product. A hand is shown drawing the diagram with a black marker.

1. Individual and Family Services
2. Professional, Scientific, Technical Services
3. Restaurant and Other Eating Places
4. Wholesale Electronic Market Agents and Brokers
5. Private Households
6. Residential Building Construction
7. Services to Buildings
8. Employment Services
9. Insurance Agents, Brokers and Others
10. Repair and Maintenance



Across the state, 40 Missouri counties had a ten percent or greater increase in number of new business formations compared to a year earlier. Grundy County, for example, had 10 new formations in 2014 but 19 a year later. Boone County, which had 63 more formations than in 2014, increased 17 percent. Jackson County, which had the largest absolute increase between 2014 and 2015 (+273 formations), gained nearly 15 percent. Eighteen counties experienced at least a one percent but less than a ten percent increase in new business formation. Five counties (Scott, Madison, Knox, Miller, and St. Louis) showed no change between 2014 and 2015. Fifty-two counties had a negative change or fewer new business formations. Dunklin County, for example, had 132 formations in 2015 compared to 193 a year earlier.

Total Business Formations

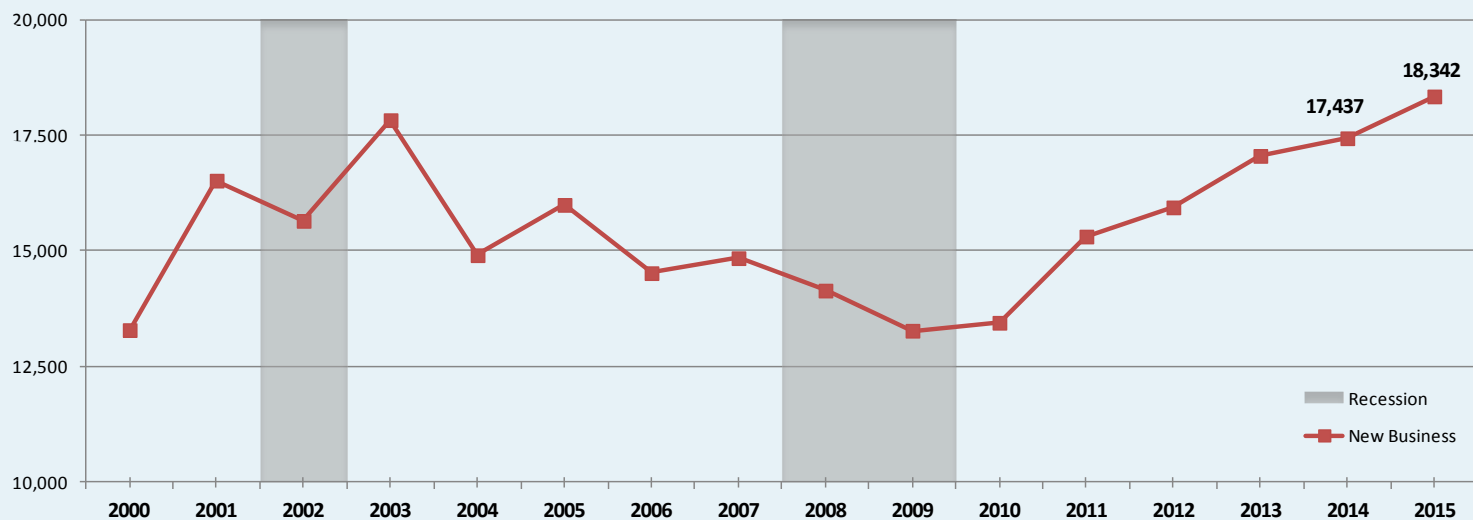
- 1,000 - 3,157
- 400 - 999
- 100 - 399
- 40 - 99
- 1 - 39

Recessionary Effects

Between 2000 and 2015, Missouri's new business formations increased at an average annual rate of 2.4 percent. This rate of formation, however, might have been faster if not for the nation's mild recession in 2001 and the Great Recession of 2007 to 2009. Between 2007 and 2009, the number of new business formations in Missouri declined at an annual average rate of 3.5 percent. Since 2010, on the other hand, the rate of new business formations has increased by an annualized 6.1 percent.

The severity of the Great Recession on new business formation may be due in part to the housing market crash and tighter financial requirements: the traditional sources of financing for entrepreneurs—home equity and business loans—were effectively closed. Analysis by the Cleveland Federal Reserve found that, during the milder 2001 recession, new formations by established businesses (i.e., outlets) actually continued while other formations declined.

Trend in New Business Formations 2000—2015



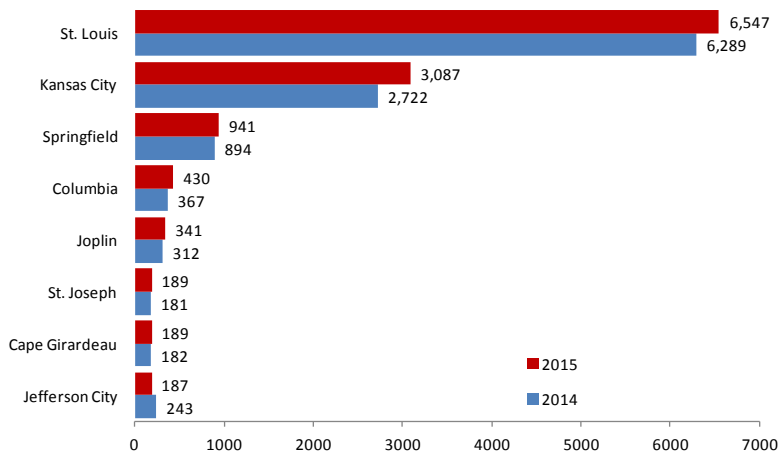
Source: MERIC Analysis of new unemployment insurance accounts

Metropolitan Areas

Is entrepreneurial activity more prevalent in metropolitan areas because of population size effects (urbanization) or is it because of something more industry specific (localization)? Research by the New York Federal Reserve among others indicates that both urbanization and localization economies impact entrepreneurship. These Reserve economists find that population size has a positive effect on entrepreneurial activity especially among services-oriented businesses.

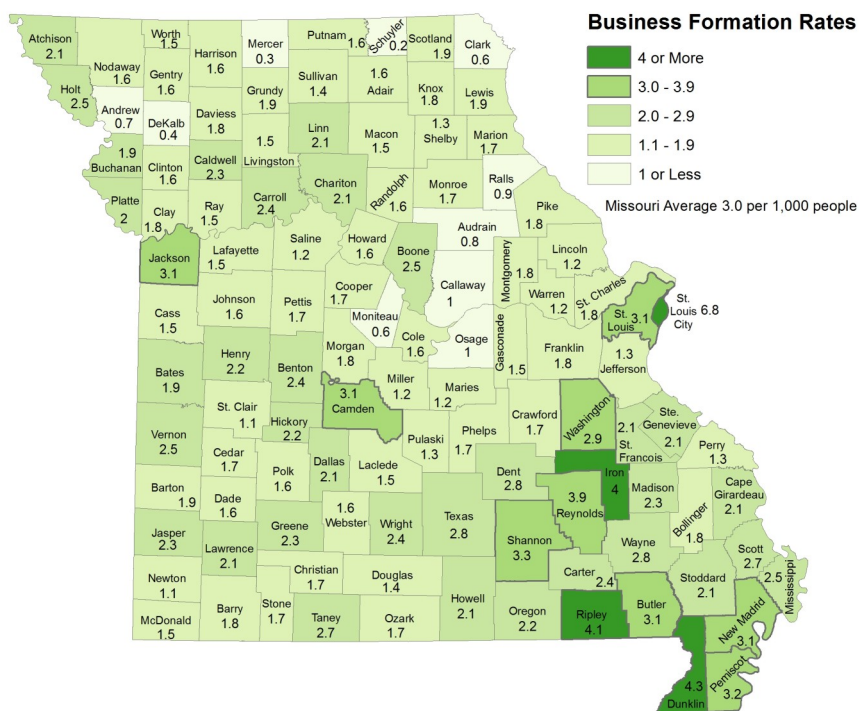
New business formations have increased across Missouri but growth is concentrated in metropolitan areas. Missouri's eight metropolitan areas comprised 65 percent (11,951) of all new business formations in the state. Thirty-five percent of all new business formations (6,500) were in the St. Louis metro area followed by Kansas City metro with nearly 3,100 new business formations. The Springfield metro area had over 900 new business formations—a 5.3 percent increase over 2014; and nearby Jefferson City metro had 187 new business formations, 23 percent less than in 2014. Non-metro areas of the state represent 18 percent of all new business formations. New business starts in these areas declined from 3,353 in 2014 to 3,229 in 2015. (Seventeen percent of the state's new business formations are not assigned to any particular county—these nearly 3,200 businesses consist of contractors and multiple site locations).

Business Formations by Metro Area
2014 - 2015



The map below shows new business formations per 1,000 people for each county in Missouri. This map is useful because it allows business growth to be standardized by population, making it possible to identify rural counties with high business growth. St. Louis City had the highest formation rate at 6.8 new businesses per 1,000 population followed by Dunklin (4.3), Iron (4.1), Ripley (4.0), and Reynolds (3.9). Statewide, the 2015 average formation rate was 3.0 up from last year's 2.9.

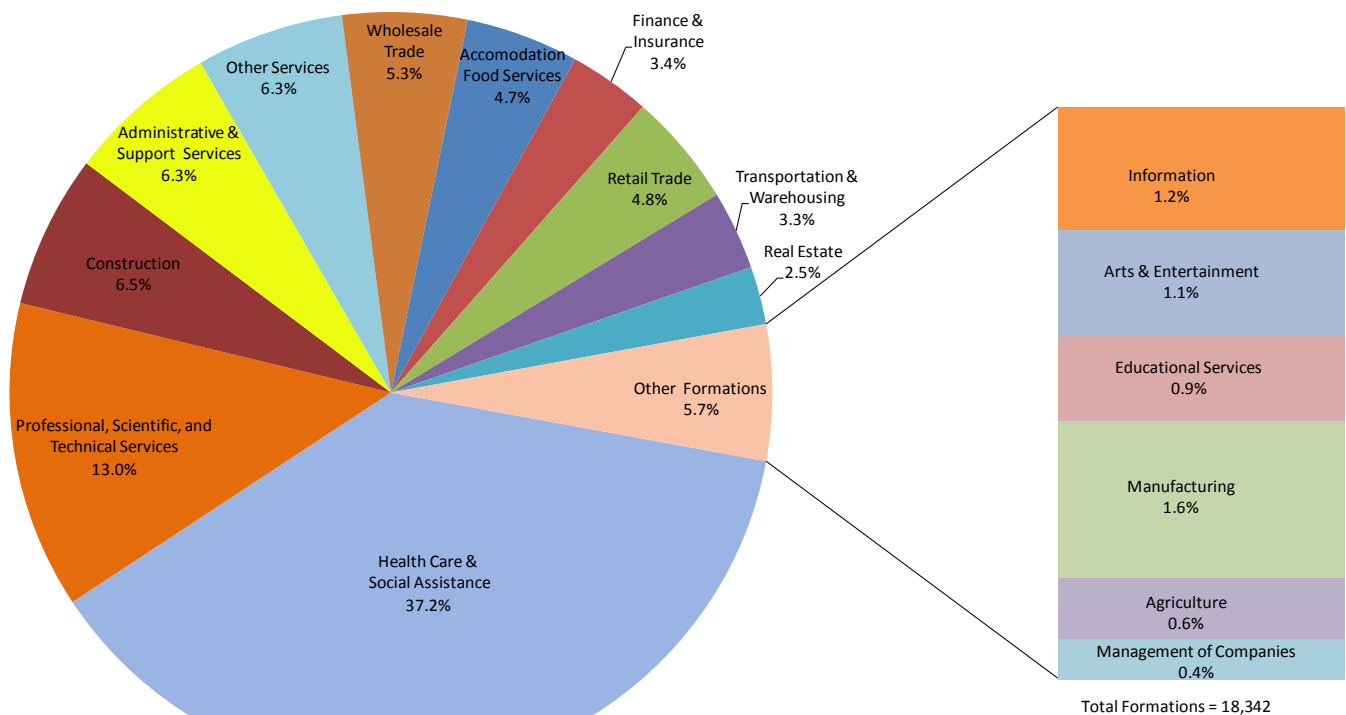
New Businesses Per 1,000 in Population



New Business Formation by Industry

The chart below shows the share of new business formations by major industry. The Health Care and Social Assistance industry represents 37 percent of all new business formations in the state: 6,817. Professional, Scientific, and Technical Services industry represents 13 percent of all business formations: 2,349. The Construction, Administrative and Support Services, and Other Services industries contributed 6 percent each to the total number of new business formations: 1,171, 1,152, and 1,125 respectively.

Percent of New Business Formations by Industry

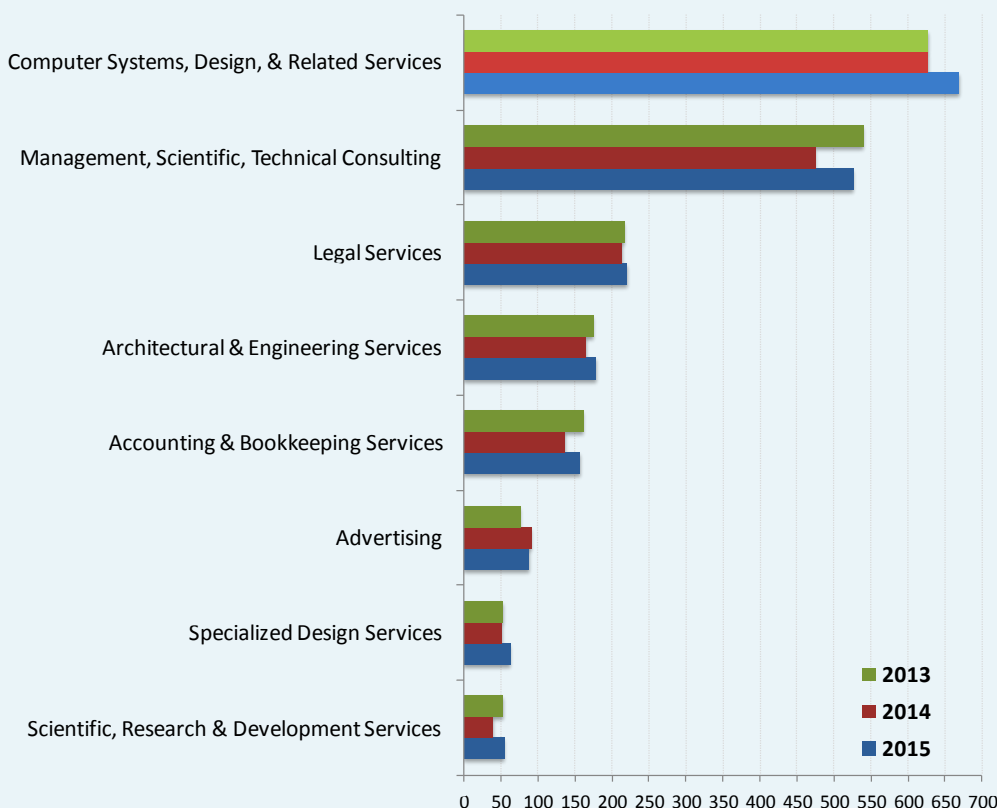


While a majority of new business formations were in the Health Care and Social Assistance industry, all but 681 of these new formations were in *Individual and Family Services*. This industry group consists largely of individuals who hire a worker to provide home care services for a child, elderly, or disabled person. The largest number of new *Individual and Family Services* business formations were in the St. Louis City (1,585), St. Louis County (1,294), and Kansas City (1,043) regions. The Southeast region—which includes Cape Girardeau, Dunklin and Iron counties—had 517 formations. The Central region, which includes the Columbia and Jefferson City metropolitan areas, had 326 formations.

Professional, Scientific, Technical Services

This industry had the second largest number of new business formations in 2015: 2,349. There were 700 more formations than in 2014, a 36 percent increase. The industry is considered high skill and high wage. Nationally, the average annual wage was \$77,600. Expertise provided by workers in this industry are used by other sectors. It is comprised of eight groups: legal services, accounting and bookkeeping, architecture and engineering, computer systems design, research and development, management and technical consulting, advertising, and other professional services.

New Business Formations 2013—2015



Computer Systems Design accounted for the largest number of new business formations, three years in a row. Formations increased nearly 7 percent: from 627 in 2014 to 669 in 2015. Eighteen percent of all new formations in this industry group were located in the Greater St. Louis region (which includes St. Louis City, and the counties of St. Louis, St. Charles, Jefferson, and Franklin). The Kansas City region accounted for ten percent of all new formations in this sector followed by the Ozark and Central regions each with 3 percent.

Management, Scientific, and Technical Consulting accounted for 22 percent of all new formations in the Professional Services industry— 526 businesses. Formations declined 12 percent between 2013 and 2014 but regained much of that loss between 2014 and 2015 when new formations increased 11 percent. Nearly a quarter of new business formations in this sector are located in the Greater St. Louis region; Kansas City region accounted for 13 percent; the Central and Ozark region each accounted for 4 percent; the Northwest and Southwest regions had a combined 22 new formations— about 2 percent each of total formations.

In 2015, there were 220 new legal services business formations. More of these businesses located in Jackson County than in St. Louis County: 29 percent of all new formations compared to 21 percent. The Southeast, Ozark, and Central regions accounted for 6 percent each of all new business formations. Legal Services include lawyers, paralegals, notaries, title abstract and settlement officers.

About the Data

The Missouri Economic Research and Information Center (MERIC) monitors new business formations through unemployment insurance accounts established in the state. This allows MERIC to gauge the number of new, non-farm payroll businesses by industry and county detail.

Any business that hires workers and pays wages must establish an Unemployment Insurance (UI) account with the state's Department of Labor. The dataset of new business formations — based on UI accounts— captures startups (e.g., limited liability companies, and corporations) as well as new business outlets (e.g., a franchise or branch location). UI records also track changes to a business such as mergers, spinoff, or close-out.

References

Shane, S. "The Great Recession's Effect on Entrepreneurship." [Economic Commentary \(March 24, 2011\)](#). Cleveland Federal Reserve.

Hathaway, I. "Shifting Source of New Business Establishments and Jobs." [Economic Commentary \(August, 21, 2014\)](#). Cleveland Federal Reserve.

Rosenthal, S. and W. Strange. "The Geography of Entrepreneurship in the New York Metropolitan Area." [Economic Policy Review \(December 2005\)](#). New York Federal Reserve.

Glaser, E., S. Rosenthal, and W. Strange. "Urban Economics and Entrepreneurship." November 2009. [National Bureau of Economic Research](#).

Bureau of Economic Analysis. [Regional Data](#). GDP by Metropolitan Area, 2001—2014, chained 2009 dollars.

National Venture Capital Association. ["U.S. Venture Capital Investment Spanned 133 MSAs in 2015."](#) (January 27, 2016).

Other Data Sources for Business and Entrepreneurial Activity

Quarterly Census of Employment and Wages (QCEW) is a cooperative program between the Bureau of Labor Statistics (BLS) and state labor market information centers. QCEW produces a comprehensive tabulation of establishment, employment and wage information for workers covered by State unemployment insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program.

<http://www.bls.gov/cew/>

Business Employment Dynamics (BED). This dataset is based on QCEW. BED data are produced quarterly, available by major industry and reported at the state geography. BED measures job gains and job losses in an industry as well as the number of establishment openings and closings.

<http://www.bls.gov/bdm/>

Business Dynamics Statistics (BDS). This is a collaborative effort of the Kaufman Foundation, Census Bureau, and Small Business Administration. BDS measures employment in firms and establishments, changes in number of establishments (openings and closings) and changes in the number of firms (startups and shutdowns). The BDS data are annual and available at the state and metro geography.

<http://www.census.gov/ces/dataproducts/bds/>